

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|------------------------------|---|-------------------|
| THE NOTICE OF PURCHASED GAS |) | |
| ADJUSTMENT FILING OF WESTERN |) | CASE NO. 90-013-M |
| KENTUCKY GAS COMPANY |) | |

O R D E R

On September 13, 1990, the Commission issued its Order in Case No. 90-013 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment ("GCA") Clause set forth therein.

On October 1, 1993, Western Kentucky Gas Company ("Western") filed its quarterly GCA which is to become effective November 1, 1993 and is to remain in effect until January 31, 1994. Western filed both "primary" rates, to reflect its proposed recovery of Tennessee Gas Pipeline ("Tennessee") transition costs, as well as "alternate" rates, which include no transition costs.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Western's notice of October 1, 1993 set out certain revisions in rates which Western proposed to place into effect, said rates being designed to pass on to its firm sales customers the expected wholesale increase in gas costs from its suppliers.

Western's "primary" proposed expected gas cost ("EGC") for firm sales customers for the quarter beginning October 1, 1993 is \$3.6592 per Mcf, which includes Tennessee transition costs.

Western also proposed to pass on to its interruptible customers a wholesale increase in gas costs. Western's "primary" proposed expected gas cost for interruptible sales customers for the quarter beginning October 1, 1993 is \$3.0487 per Mcf.

Western should be allowed to recover as a gas cost through its EGC Tennessee's Transition Cost Surcharge-Market Area of 3.10 cents per Mcf, which is an existing charge that pre-dated Tennessee's proposed restructuring. The rate was approved by the Federal Energy Regulatory Commission ("FERC") as part of Tennessee's "Cosmic Settlement," and is contained in Article XXX of Tennessee's tariff. Neither the Gas Supply Realignment ("GSR") and Transition Cost Rate Adjustment ("TCRA") demand surcharges, nor the GSR and TCRA commodity surcharges, should be included for recovery in the EGC at this time. The Commission is in the process of considering the issue of the appropriate recovery of transition costs such as this in Administrative Case No. 346.¹ Western's EGC should be its alternate proposal of \$3.5843 for firm customers and \$2.9738 for interruptible customers.

¹ Administrative Case No. 346, An Investigation of the Impact of the Federal Energy Regulatory Commission's Order 636 on Kentucky Consumers and Suppliers of Natural Gas.

2. Western's notice set out a total refund adjustment for sales customers in the amount of 9.07 cents per Mcf which is comprised of refunds from previous quarters. Western's notice also set out a previous quarter refund adjustment for transportation customers in the amount of 1.17 cents per Mcf.

3. Western's notice set out a current quarter actual adjustment in the amount of 5.83 cents per Mcf to compensate for under-recovery of gas cost by the Company through the operation of its gas cost recovery procedure during the months of May, June, and July 1993. The total actual adjustment for sales customers is (.43) cent per Mcf, and is designed to correct the current under-recovery as well as under- and over-collections from three previous quarters.

4. Western's notice set out a balance adjustment for sales customers in the amount of 17.16 cents per Mcf, which replaces the previous adjustment of 23.12 cents per Mcf. This balance adjustment compensates for under-collections which occurred as a result of previous actual and balance adjustments.

5. Western proposed a "primary" GCA of \$.3014 per Mcf for firm sales customers and (\$.0518) per Mcf for interruptible sales customers. The GCA for firm sales customers should be the "alternate" GCA of \$.2265, with (\$.1267) being the appropriate rate for interruptible customers. These represent the combined effect of the approved EGC increase and the refund, actual, and balancing adjustments.

6. Western's adjustment in rates under the provisions approved by the Commission in its Order in Case No. 90-013 dated September 13, 1990 is fair, just, and reasonable, in the public interest, and should be effective with final meter readings on and after November 1, 1993.

7. Western's filing of October 1, 1993 included supplementary information concerning its actual adjustment for which it requested confidentiality. This information discloses the actual price being paid by Western to individual marketing companies and other suppliers of gas. Publication of such information is likely to cause competitive injury to Western and should be protected.

IT IS THEREFORE ORDERED that:

1. The "primary" rates originally proposed by Western be and they hereby are denied.

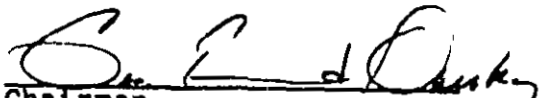
2. The rates in the Appendix to this Order, attached hereto and incorporated herein, are fair, just, and reasonable and are approved effective with final meter readings on and after November 1, 1993.


2. Within 30 days of the date of this Order, Western shall file with this Commission its revised tariffs setting out the rates authorized herein.

3. The detail sheet contained in Exhibit D, which Western has petitioned to be withheld from public disclosure, shall be held and retained by this Commission as confidential and shall not be open for public inspection.

Done at Frankfort, Kentucky, this 1st day of November, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-013-M DATED November 1, 1993.

The following rates and charges are prescribed for the customers in the area served by Western Kentucky Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

Applicable to: General Sales Service Rate G-1

Gas Cost Adjustment

To each bill rendered under the above-named rate schedules there shall be added an amount equal to: \$.2265 per Mcf of gas used during the billing period.

Applicable to: Interruptible Sales Service Rate G-2

Gas Cost Adjustment

To each bill rendered under the above-named rate schedules there shall be added an amount equal to: (\$.1267) per Mcf of gas used during the billing period.